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Message Text

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60
ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-10 H-02 L-03 PRS-01

PA-01 SP-02 AID-05 EB-07 NSC-05 CIEP-01 SS-15 STR-04

OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00

USIA-06 XMB-02 OPIC-03 LAB-04 SIL-01 /102 W
---------- 037029
R 260856Z NOV 75
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 9819
INFO AMEMBASSY RANGOON

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E. O. 11652: ADS, DECLAS 6/30/76
TAGS: EAID, EFIN
SUBJECT: ADB LOAN FOR JUTE MILL PROJECT (BURMA)

USADB

PASS TREASURY DEPT FOR ZINMAN

REFS: (A) BURKE/LEVINTOW TELECON 11/25; (B) MANILA 15805;
(C) RANGOON 3294; (D) TREASURY 75-196

1. ADB BOARD OF DIRECTORS ON NOVEMBER 25 APPROVED
SUBJECT LOAN. PRESS RELEASE BEING POUCHED.

2. IN RESPONSE USADB QUERY RE CAUSES OF RAPID DECLINE
RAW JUTE PRODUCTION, STAFF CONCURRED WITH EMBASSY ASSESS-
MENT (REF C) LOW OUTPUT LARGZGY ATTRIBUTED TO SUPPLY
SHORTAGE OF DIESEL FUEL FOR IRRIGATION PUMPS. LOW
YIELDS ALSO ATTRIBUTED TO SEVERE TYPHOON LOSSES
1974-75 CROP YEAR. STAFF ADVERTED TO GOVT ASSURANCES
THAT RAW JUTE YIELDS WILL INCREASE AND ARE HOPEFUL
THAT 80,000 TON TARGET WILL BE ACHIEVED.
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3. AS INSTRUCTED REF D, U.S. DIRECTOR COMMENTED ON
CONSTRAINTS TO DEVELOPMENT IN BURMA FROM GOVT POLICIES
INCLUDING HEAVY GOVT INTERVENTION IN OPERATION OF
STATE CORPORATIONS; HAVING PRICES RIGIDLY ADMINISTERED
AT UNREALISTIC LEVELS LEADING TO INEFFICIENCIES,
LOSSES AND LOW PRODUCTION. U.S. DIRECTOR'S COMMENTS
SUGGESTED NEED FOR BURMESE TO REVIEW OVERALL ECONOMIC
STRATEGY, MOVE TOWARDS MORE APPROPRIATE POLICIES.
CANADIAN DIRECTOR SUPPORTED USADB DURING BOARD DISCUSSION.

4. IN REPLY, STAFF ASSERTED THAT WITH HELP OF ADB,
IBRD, AND OTHER DONORS,BURMA NOW CONCERNED ABOUT
STAGNATION IN ECONOMIC GROWTH RATE AND BELIEVED TO
BE SERIOUSLY REVIEWING POLICIES, E. G., STAFF NOTED
IBRD AND GOVT JOINTLY EXPLORING POSSIBILITY ESTABLISHING
IN NEAR FUTURE INFORMAL CONSULTATIVE DONORS GROUP;
THAT GOVT ALREADY HAD TAKEN DECISIVE STEP TOWARDS
PUTTING VARIOUS STATE CORPORATIONS ON PAY-AS-GO BASIS
THROUGH CESSATION PRACTICE QUOTE FREE UNQUOTE ANNUAL
BUDGET ALOCATION FOR OPERATING EXPENSES, THEN
OBLIGING THAT ALL REVENUES BE REMITTED TO UNION
GOVT. NOW POLICY WILL SEEK MAKE EACH CORPORATION
INDIVIDUALLY ACCOUNTABLE AND BE PERMITTED RETAIN
REVENUES, BUDGETING THEM FOR OPERATIONAL COSTS.
ANOTHER EXAMPLE THIS NEW POLICY CITED WAS INCLUSION IN
SUBJECT PROJECT FOR FIRST TIME IN BURMA OF 9 PERCENT
ON-LENDING RATE TO SUB-BORROWERS IN EFFORT MOVE
TOWARDS PLAUSIBLE MARKET INTEREST RATES.
SULLIVAN

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